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BALDWIN-LIMA-HAMILTON

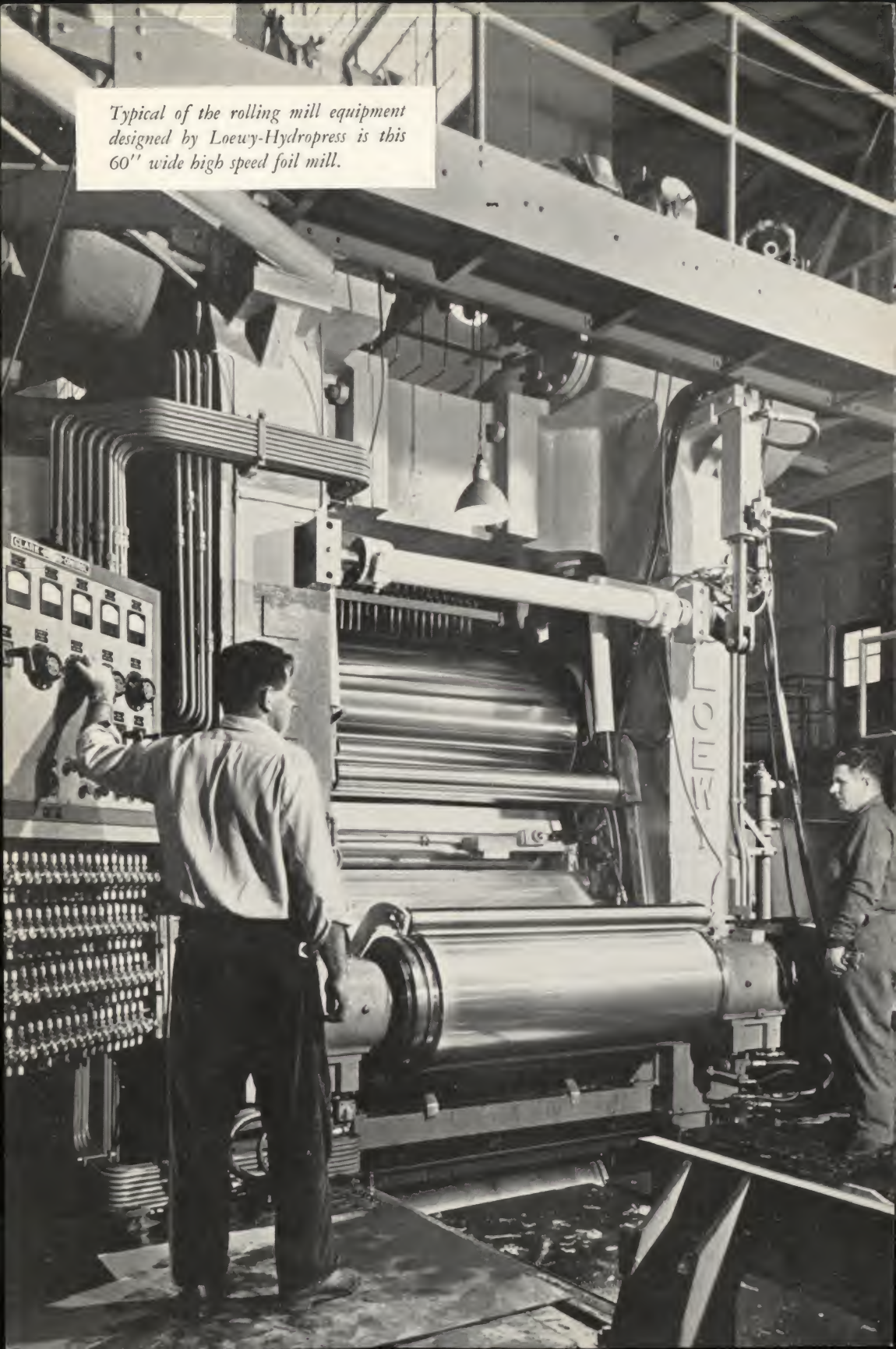
C O R P O R A T I O N



Annual Report
1954

BOARDS
621.3
E1931

Typical of the rolling mill equipment designed by Loewy-Hydropress is this 60" wide high speed foil mill.



44th
Annual Report

**BALDWIN-LIMA-HAMILTON
CORPORATION**

PHILADELPHIA 42, PA.

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EDDYSTONE DIVISION
LIMA WORKS
HAMILTON DIVISION
STANDARD STEEL WORKS DIVISION
AUSTIN-WESTERN COMPANY
HYDROPRESS, INC.
LOEWY CONSTRUCTION Co., INC.
THE PELTON WATER WHEEL COMPANY
MADSEN IRON WORKS, INC.

December 31, 1954



BALDWIN-LIMA-HAMILTON CORPORATION

Incorporated under the Laws of the Commonwealth of Pennsylvania

GENERAL OFFICES AT BALDWIN, EDDYSTONE, PENNSYLVANIA

DIRECTORS

CHARLES E. BRINLEY	Chestnut Hill, Pa.
HENRY B. BRYANS	Bryn Mawr, Pa.
H. E. COOMBE	Cincinnati, Ohio
JOSEPH N. EWING	Valley Forge, Pa.
EDWARD HOPKINSON, JR.	Chestnut Hill, Pa.
McCLURE KELLEY	Glen Moore, Pa.
WM. CLARKE MASON	Chestnut Hill, Pa.
FREDERIC A. POTTS	Ambler, Pa.
JEROME PRESTON	Boston, Mass.
WILLIAM WOOD PRINCE	Chicago, Ill.
GEORGE A. RENTSCHLER	Cincinnati, Ohio
WALTER A. RENTSCHLER	Hamilton, Ohio
JOHN J. ROWE	Cincinnati, Ohio
ROBERT C. SHIELDS	Detroit, Mich.
MARVIN W. SMITH	Wynnewood, Pa.
RALPH K. STILES	Aurora, Ill.
O. DeG. VANDERBILT, III	Cincinnati, Ohio

EXECUTIVE COMMITTEE

MARVIN W. SMITH, Chairman	GEORGE A. RENTSCHLER
McCLURE KELLEY	WALTER A. RENTSCHLER

OFFICERS

GEORGE A. RENTSCHLER	Chairman of the Board
MARVIN W. SMITH	President
McCLURE KELLEY	Executive Vice-President
O. DeG. VANDERBILT, III	Vice-President in Charge of Commercial Activities
CHARLES E. ACKER	Vice-President, Secretary and Treasurer
H. F. BARNHART	Vice-President—Lima Works
A. A. BYERLEIN	Vice-President—Hamilton Division
J. F. CONNAUGHTON	Vice-President in Charge of Eddystone Division
JOHN S. NEWTON	Vice-President—Eddystone Division
WALTER A. RENTSCHLER	Vice-President in Charge of Hamilton Division
JOHN D. TYSON	Vice-President in Charge of Standard Steel Works Division
R. NEVIN WATT	Vice-President—Eddystone Division
C. T. ZIEGLER	Vice-President—Hamilton Division
PERRY A. WHITE	General Controller

GENERAL COUNSEL

MORGAN, LEWIS & BOCKIUS
Philadelphia

TRANSFER AGENTS

Common Stock, \$13 Par Value

IN PHILADELPHIA:

Fidelity-Philadelphia Trust Company
Broad and Walnut Streets

IN NEW YORK:

Bankers Trust Company, 16 Wall Street

IN CINCINNATI:

The Fifth Third Union Trust Company
Fourth and Walnut Streets

REGISTRARS

Common Stock, \$13 Par Value

IN PHILADELPHIA:

The Pennsylvania Company for Banking and Trusts
15th and Chestnut Streets

IN NEW YORK:

The National City Bank of New York
55 Wall Street

IN CINCINNATI:

The Central Trust Company
Fourth and Vine Streets

To The Shareholders:

Incoming orders and backlogs continued to decline during the first half of the year reaching a low point in August. This contributed to substantially lower shipments of \$155,195,012 in 1954 compared to \$276,258,050 in 1953. Net income after taxes and all other charges also declined to \$4,066,020 or \$.95 per share in 1954 compared to \$7,361,213 or \$1.54 per share in 1953.

While this reduction in earnings is of course disappointing, the decrease is not as great as might normally be expected in view of the sharp reduction in sales which incidentally has generally been experienced by many companies engaged in the building of railway equipment, machine tools, foundry products and similar capital goods.

With the welcome increase in new orders, which started the latter part of the year, our backlog has shown a gradual increase since that time and if, as expected, this trend continues, the prospects for the second half of 1955 should be much better than the corresponding period in 1954.

Inventories declined steadily from \$73,913,843 at the beginning of the year and leveled off the latter part of the year to the December figure of \$52,706,234.

Substantial progress has been made throughout the Company during the year in plant rearrangement, the installation of new equipment, control of inventory and other similar activities so important to greater economy in a very competitive and fast moving business.

PURCHASE OF STOCK

Early in the year, Westinghouse Electric Corporation advised the Company that it had decided to withdraw from the manufacture of heavy electrical equipment for locomotives. Steps were immediately taken toward working out an arrangement with General Electric Company under which it would supply the electrical equipment required for Baldwin diesel electric locomotives. Under the circumstances, it seemed desirable for the Company to acquire the 515,000 shares of its Common Stock held by Westinghouse and representing approximately 10 $\frac{3}{4}$ % of all Common Stock outstanding. Arrangements consummated in May resulted in the purchase of these 515,000 shares for \$4,635,000, or \$9.00 per share. The stock so purchased was placed in the Company's Treasury and as a result (exclusive of the Treasury

shares) the shareholders' equity of each outstanding share showed an improvement of approximately \$1.80 per share, or a total improvement in the shareholders' equity of the remaining outstanding shares of more than \$7,500,000. Subsequently, 25,807 shares of Treasury stock were issued in exchange for all of the outstanding Capital Stock of O. S. Peters Company referred to later in this report.

ACQUISITIONS

The Company has continued its policy of expansion and diversification not only through the development of new products and the extension of existing lines of equipment but through the acquisition of other companies and operations.

A most important recent acquisition is Hydropress, Inc., and its wholly owned subsidiary Loewy Construction Co., Inc. These companies were acquired from Mr. Erwin Loewy, who is internationally known for his achievements in the design and construction of large hydraulic presses and rolling mill installations. Mr. Loewy will continue as President of both of these companies in complete charge of all operations. Under his leadership and direction Hydropress and Loewy Construction Company have become one of the foremost designers and suppliers of rolling mill and hydraulic press installations to the steel and other metal fabricating industries in the United States and abroad. The unfilled orders of these companies totaled approximately \$20,000,000 as of the date of acquisition. As a part of the Baldwin Group broader opportunities and facilities will be available and thus provide still further opportunity and stimulation for the growth and expansion of the Loewy operations.

The most recent acquisition is Madsen Iron Works, Inc., located in La Mirada, California, builders of asphalt plants and allied machinery. This company has an excellent reputation and brings to us products that fit well into the line of equipment produced by our Construction Equipment Division. During 1954 the Madsen Company obtained orders of approximately \$2,200,000. They make an important addition to our West Coast facilities and form the nucleus of a new line of products which can be expanded and built by our Lima Works and possibly other plants of the Company. The operations at the Madsen Company can likewise be expanded to manufacture component parts as well as complete products now built by other divisions of the Company for West Coast applications.

Two other significant acquisitions are the O. S. Peters Company, of Washington, D. C., and Ruge-deForest, Inc., of Cambridge, Massachusetts, builders of electronic and precision devices for whom Baldwin has, in the past, acted as sales agent. With the opportunity for greater participation in the fields of electronics, instrumentation and process controls, which this move makes possible, Baldwin's position as a leader in the materials testing equipment industry has been materially strengthened and broadened.

OPERATIONS AND PRODUCTION

EDDYSTONE DIVISION

TESTING EQUIPMENT

The materials testing equipment and related devices, referred to in the preceding paragraph, have become a large and important part of the Eddystone operation although some of the devices and component parts are built outside of Eddystone by wholly owned subsidiaries, viz., O. S. Peters Company, Washington, D. C.; Sonntag Scientific Corporation, Greenwich, Connecticut; and Ruge-de Forest, Inc., Cambridge, Massachusetts. The volume of this business has increased steadily over the years and at an increasing rate in the last several years, due principally to more general acceptance of electronic measurement of weights, pressures and torques. Early in the year recognition of the growing importance of this business led to the formation of the Testing Equipment Division in which the responsibility for all operations in this field is now centered. Products of the Division vary widely from precision strain gages weighing a fraction of an ounce and made of wire less than one-thousandth of an inch in diameter to one of the Company's largest products, a 5,000,000 lb. Universal testing machine, one of which will be delivered to Lehigh University early in 1955.

During the year the Company again manufactured and sold more strain gages than in any previous year. These devices, generally about the size of a small postage stamp, in combination with electronic instrumentation, serve as an increasingly useful tool in industry. They provide a means for the accurate determination of stress in complicated structures, and when they are installed on a steel column, a metal tube, or the outside surface of a shaft, they permit accurate measurement of load, pressure and torque, respectively. There are other means of making these measurements but industry as well as research institutions and Government Agencies recognize the favorable characteristics of

Baldwin devices. During the year Baldwin acquired a license to make strain gages of thin metal foil etched to a fine grid by the Technograph process. Development work is under way on this and on strain gages for high temperatures, for which there is an ever increasing need and demand.

The testing equipment line includes Universal testing machines which measure and record the strength of materials in compression and tension, creep machines, fatigue machines, impact testing equipment, etc. Testing techniques are changing as industry finds it necessary to make each element of a structure do its proportionate share of the work. To meet these needs we have introduced new testing equipment which has gained favorable customer acceptance. The electronic line of testing machines and the line of Sonntag fatigue testing machines are particularly popular, with the result that additional sizes are now being developed. New models of creep machines and other testing machines, better suited to customers' requirements, are also being developed. In addition, we have negotiated a cross-licensing agreement with Schenck, a German manufacturer, and the leading manufacturer in Europe of fatigue machines.

RAILWAY EQUIPMENT

The general decline in the purchase of diesel electric locomotives by domestic railroads, which began after 1950, continued through 1954. The number of such locomotives purchased by the railroads last year was only slightly more than half of those purchased in 1953 and less than one-fourth of those purchased in 1950.

With the recent improvement in the traffic picture of many railroads, prospects are brighter for increasing activity in the coming year. Several foreign negotiations for a substantial number of locomotives are promising and it is expected that these will result in orders in the near future.

One of the outstanding orders for railway equipment obtained during the year was an order for 50 steam locomotives for the Government of India amounting to almost \$9,000,000. Shipment of the first of these locomotives is scheduled for September, 1955, and the entire order should be completed by the end of the year.

The experimental coal-burning steam turbine locomotive built for the Norfolk & Western Railway and referred to in last year's report, was delivered in May 1954. Since then it has been undergoing extensive tests under actual operating conditions. The

results obtained so far, after 19,000 miles of service, show the performance of the locomotive to be excellent. No major difficulties have been experienced and minor troubles have been corrected as they developed. Routine maintenance has been quite normal and fuel savings up to 30% have already been recorded. On the basis of operating performance and related information now available, the prospects for this type of locomotive look promising for a number of applications.

Dump car sales, following the pattern of the heavy machinery business, were somewhat lower in 1954. Nevertheless, we were successful in obtaining the largest order for dump cars that was placed during the year. Meanwhile, our designers have been busy developing a sixty-yard dump car, the largest ever to be built. A prototype is now under construction and will be placed in active service early in 1955.

HYDRAULIC TURBINES

A total of 320,300 horsepower in hydraulic turbines was shipped during the year, establishing a record for the Company for total horsepower shipped during any twelve month period. The backlog on hydraulic turbines is still quite substantial representing approximately 2,832,300 horsepower in a total of 33 units which are scheduled for shipment through 1959.

The most recent order for hydraulic turbines was from the New York Power Authority for eight 71,000 horsepower hydraulic turbines to be installed in the St. Lawrence Power Project, which is part of the overall St. Lawrence Seaway. These units will be located in the Barnhart Island Power Plant. The delivery of these units is also scheduled through 1959.

One of the largest hydraulic turbine runners ever to be cast in one piece was delivered during the year for the Garrison Hydro-electric Power Plant near Riverdale, North Dakota. Due to its extremely large size, clearance could not be obtained for normal shipment by rail. It was shipped by loading on a barge near the Eddystone plant and transported up the Hudson River to the Erie Canal and across the Great Lakes to Duluth, Minnesota, and then by rail to Riverdale, North Dakota.

Research conducted in our Hydraulic Laboratory contributed materially to the design and manufacture of this large runner for the Garrison Dam unit. New equipment is now being installed in this laboratory to further our research work on pump turbines. There are several outstanding projects which will require

this type of unit in the not too distant future and the work now being contemplated in our laboratory should help to continue the Company's leadership in the field of hydraulic turbine design and manufacture.

COMMERCIAL WELDMENTS

During the year the Company expanded its general participation in Commercial Weldments to include a type of work related to the overall public works program and which promises to offer large volume production. In this field there is a large variety of fabrication including bridges and vehicular tunnels, which are well suited to our facilities. Our participation in this type of work during the year was highly successful, in that a number of noteworthy orders were received.

Among the first of such orders received was the plate steel tunnel liner for the Third Tube which is now being added to the Lincoln Tunnel between New Jersey and New York. Another was the order for the large Vehicular Tunnel to be installed in the Hampton Roads Development in Virginia. The tunnel is made up of a total of 23 individual sections each approximately 300 feet long and having a diameter of approximately 37 feet. These sections will be fabricated at Eddystone and transported by water from our plant to the installation site.

From the New Jersey Turnpike Authority we received an order for the super-structure required on a portion of the new Turnpike extension. The Company was also awarded a large contract for the gates and hoists required on the Table Rock Dam located at Branson, Missouri.

There were many other smaller orders of this general class of work which were received during the year, including major parts of the Tullahoma Wind Tunnel.

The many avenues of outlet for this type of work and the generally high activity associated with it make this one of the most promising products for the coming year.

OTHER PRODUCTS

Press business in the powdered metals field continues to look attractive. A new 50-ton compacting press known as the Model L was designed this year along much the same lines as the 100-ton Model C which was developed in 1953. This new press was exhibited at the National Metals Show in Chicago and was the center of a great amount of interest. Two orders have already been obtained and a number of others are pending.

Efforts were also begun toward adding new designs to our line of heavy presses for metalforming and this work is progressing satisfactorily. Through close cooperation with Hydropress and Loewy Construction Company plans for the development program in heavy metalforming presses can be expanded and accelerated.

Noteworthy in our marine business this year was an order for eight five-bladed propellers, 22 feet in diameter to be used on the *U.S.S. Forrestal*. This is the Navy's gigantic new carrier which represents a milestone in shipbuilding since it is the largest vessel ever built by the United States. Four of the huge Baldwin propellers, when geared to high pressure steam turbines rated in excess of 200,000 h.p., will enable the *Forrestal* to attain speeds of over 30 knots. The other four will be stored as spares.

CONSTRUCTION EQUIPMENT DIVISION

For the Construction Equipment Division, the year 1954 was slightly disappointing in comparison with the preceding year which was characterized by a very large program of defense work at both of the main plants—Lima and Aurora. Lima utilized two of its large buildings on defense contracts for tank hulls and amphibious vehicles. Both of these programs were completed the latter part of 1953. The buildings have since been vacated of work and operations have been consolidated in the remainder of the plant which leaves some excess space and facilities available for additional business. At Aurora the program for supplying hydraulic cranes to the Government, which reached a peak in 1953, is being continued on a much reduced basis.

However, it is gratifying to note that both Construction Equipment plants have increased their volume of civilian sales. Export sales were likewise slightly expanded.

At Lima a new half-yard shovel and crane is now in production and should fill a much felt need for a small size machine. Work also continues on a larger shovel at the top of the line but it will not be in production in 1955. Crusher sales have shown a gratifying increase during the year. The management also has in mind other new products which should help to fill out the line of road building equipment and utilize available space at Lima.

At Austin-Western, the year 1955 will see the introduction of an entirely new line of road rollers in both three-wheel and tandem models, and a completely revised motor grader line in

three types of two models. Both the motor graders and the rollers will be available with torque converters and other latest improvements. A new model road sweeper is currently being worked on and will possibly be available for the market late in 1955. Civilian sales of hydraulic cranes have been somewhat disappointing due to the fact that it is an entirely new device for material handling and needs special introduction to industrial users. It is, however, considered to be potentially a very fine item in our line and new applications for its use are being constantly developed.

Undoubtedly the Construction Equipment Division will participate to a large degree in the new public highway program which has been so much publicized. It should be pointed out, however, that the tax dollar of the state and local governments has remained fairly steady as the price of all things which they buy has gone up. Hence, road building has been somewhat curtailed for a number of years. The program announced by the President will undoubtedly be approved in due time but it should be noted that there will be some lag between the time Congress enacts legislation and the time dollars are available and plans completed to purchase machinery.

While all plants of the Construction Equipment Division have not been operated at full capacity during 1954, they have been maintained in excellent condition.

HAMILTON DIVISION

The stimulation produced by the more liberal allowances for depreciation of capital equipment under the new tax bill has created a much greater interest by industry in machine tools of all classes built by the Company. It is interesting to note that the demand for larger type Vertical Boring Mills seems to increase annually. This is apparently brought about by the increase in size and capacity of the end products they produce, such as turbines, electric generators and other large machinery.

Acquisition by the Government of long lead-time, so-called "Elephant Tools", for stand-by defense production, has been slow, but there is now a comprehension of this problem from the standpoint of national defense which indicates action may soon be taken which should open up opportunities for new business.

Development of more flexible and efficient railroad shop tools for wheel and axle maintenance is in process and shows promise of favorable acceptance upon completion.

The advent of the 1955 models culminated in a great tooling and press program for the automotive industry, in which the Division participated to a great extent. With the balancing out of the automobile industry's production problems and expansion in new plants and facilities, is expected to come additional new business.

Developments started at Hamilton last year for the purpose of bringing out complete new lines of high-speed can making machinery are progressing toward completion. More new orders were received in 1954 than in any other year since the Company first engaged in manufacturing this type of equipment.

Further development work has also continued in the Company's line of diesel engines, for oil or oil-gas operation. Noteworthy was the selection by the Maritime Administration and the Bethlehem Steel Company, Shipbuilding Division, of HAMILTON heavy-duty diesels for the modernization and conversion of a Liberty Ship from steam to diesel power. Power available as a result of this conversion will be increased from 2500 h.p. to 6000 h.p. One of the larger factors in the selection of our engine was its proved ability to burn heavy low-cost residual fuel oil as so well demonstrated by its use in the M/S "Pargny" on the Great Lakes. The Liberty Ship conversion will be a great contribution to the application of the diesel engine in the marine field.

STANDARD STEEL WORKS DIVISION

Following the general trend in the steel industry the Division's shipments, bookings and backlog declined somewhat below last year's figures. The drop in both defense and transportation business was substantial. Orders in the general industrial field held up better with the result that over 60% of the Division's shipments were in this field.

The policy of making substantial capital investments to increase production, reduce costs and improve material handling and processing methods, through the use of new tools and automatic devices, was continued during the year. Among a number of new machine tools installed was a large boring lathe built by our Hamilton Division, which has been adapted for the trepan boring of large forgings on which appreciable savings have been realized in both time and expense. A new furnace is being installed which will permit the production of very high alloy ring forgings, which could not be made with previously existing facilities.

During the year the largest order for steel tired wheels ever obtained by Standard was received from the Magor Car Corporation for cars built for use in Korea. A special production line was set up for this order which permitted the assembly of these tires and centers with retaining rings at triple the rate possible with regular facilities.

The largest cutter head castings ever produced and weighing approximately 75,000 pounds, were shipped during the year to the Ellicott Machine Corporation for use on the world's largest dredge for operation in the St. Lawrence River. Another shipment of unusual interest was the order for elevator guide rails for the Super-Carrier *Saratoga*, being built at the Brooklyn Navy Yard. These rails, made from extremely heavy forgings of high alloy steel, are used on the elevators that move the planes from storage to the flight decks of the carrier.

A process was developed for the hot and cold working of high alloy rings used in jet engines and orders are now being taken for rings to be produced by this process. A unique forging process was also developed for gas turbine blade wheel centers, which permits the production of forgings of considerably higher quality.

Further changes were made in Standard's sales organization to increase sales coverage and with the improved prospect for general business conditions in 1955 bookings should be somewhat better than last year.

THE PELTON WATER WHEEL COMPANY

The Pelton Water Wheel Company, a subsidiary with plants in San Francisco and Los Angeles, experienced a fairly good year despite some reduction in hydraulic turbine business. Pelton's Product Diversification Program, energetically prosecuted during the year, contributed materially to this result. Principal among the new products are hydraulic surface pumping equipment for oil wells, governors for hydraulic turbines, and one of the world's most complete lines of engineered valves for water works, wind tunnels, steam power plants, and general industrial applications.

From the standpoint of turbines placed in service Pelton had a record year in that a total of 425,000 h.p. in eight units went on the line. These included a 150,000 h.p. impulse machine for the Aluminum Company of Canada, a 52,500 h.p. Francis turbine for the Corps of Engineers, three Francis units totaling 143,500 h.p. for the Bureau of Reclamation, and a 62,000 h.p. impulse turbine for the British Columbia Electric Company.

Very recently the company obtained an outstanding order for 14 hydraulic governors for the Dalles Dam Project. This order, amounting to almost a million dollars, is the largest and most significant order ever received by the company for this type of equipment.

Engineering development was accentuated with the dual objective of improving old apparatus lines and uncovering new ones. The plant improvement program was continued and included a modern painting facility in the Governor Department and a new pattern storage facility located adjacent to foundry vendors at nearby San Leandro.

INDUSTRIAL RELATIONS AND PERSONNEL

All labor negotiations conducted with unions representing the hourly-rated employees of the several divisions and subsidiaries were concluded without interruption of work.

Messrs. Gwilym A. Price and A. W. Robertson resigned as Directors of the Company as of June 24, 1954.

Mr. McClure Kelley resigned as President of the Company's wholly owned subsidiary, Austin-Western Company and was elected Executive Vice-President of Baldwin-Lima-Hamilton Corporation on December 23, 1954.

Mr. O. DeG. Vanderbilt, III, was elected Vice-President in Charge of Commercial Activities and a Director on December 23, 1954.

Mr. Ralph K. Stiles, formerly Executive Vice-President of Austin-Western Company, was elected President of that Company on December 23, 1954.

Mr. Howard D. Humphreys retired as Treasurer and Assistant Secretary, effective May 6, 1954, after 34 years of service. Mr. Charles E. Acker, formerly Vice-President—Corporate and Financial and Secretary, was elected Vice-President, Secretary and Treasurer, effective May 6, 1954.

BALDWIN-LIMA-HAMILTON FUND

The Company did not make any contribution to the Fund during 1954. The Trustees of the Fund report that during the year ended December 31, 1954, payments were made in the total amount of \$61,025 to United Funds, Red Cross Chapters and for other charitable, scientific or educational purposes. The balance of \$438,975 is invested almost wholly in securities of the United States Government.

PLANT AND EQUIPMENT

Expenditures for the property, plant and equipment account in 1954 were \$2,103,163 as compared with depreciation and amortization of \$3,267,763. These expenditures were primarily for machinery and equipment.

A large unoccupied building at the Eddystone plant last used in 1945 was sold during 1954 as a result of a continuing management effort to dispose of excess facilities. The loss on such sale is included in Net loss on sale of property in the consolidated statement of income. The aggregate of the gain on the sale of a portion of the adjacent land in 1953 and a similar gain anticipated in 1955 on the balance of the adjacent land will substantially offset the loss of the current year.

EARNINGS AND FINANCE

Financial highlights of Baldwin for the years 1954 and 1953 are as follows:

	1954	1953
Orders unfilled at end of year	\$ 78,505,810	\$119,049,352
Orders received	121,401,683	155,042,225
Net sales	155,195,012	276,258,050
Net income	4,066,020	7,361,213
Net income per share	\$.95	\$1.54
Cash dividends	\$ 3,532,707	\$ 3,826,223
Cash dividends per share	\$.80	\$.80
Net income reinvested in the business	533,313	3,534,990
Taxes on income	1,665,000	11,750,000
Social security taxes	1,179,417	1,503,041
Other taxes	1,303,447	1,403,895
Total taxes	4,147,864	14,656,936
Taxes per share	\$.97	\$3.06
Year end:		
Inventories	52,706,234	73,913,843
Bank loans	2,000,000	4,500,000
Working capital	64,917,362	71,088,083
Working capital per share	\$15.12	\$14.86
Shareholders' book equity	109,300,161	113,209,522
Shareholders' book equity per share	\$25.46	\$23.67
Outstanding shares	4,293,585	4,782,778
Shareholders	20,893	21,311
Employees	10,189	15,716

Examination of the Federal income tax returns of the parent company for all years through 1952, was completed during 1954, and the related liabilities for taxes and interest have been paid. Several technical issues of this period were settled on a basis acceptable to the Company. Similar examinations and payments for subsidiary companies have been completed to varying dates none of which is earlier than 1949.

The benefits resulting from recording depreciation and reserves for expenses under applicable provisions of the Internal Revenue Code of 1954 are reflected on the accompanying consolidated financial statements.

Four cash dividends on the Company's common stock, each of \$.20 per share, were declared during the year and were paid on April 30, August 3 and October 30, 1954, and on January 31, 1955.

This report is submitted on behalf of the Board of Directors.

MARVIN W. SMITH
President

GEORGE A. RENTSCHLER
Chairman of the Board

March 10, 1955

BALDWIN-LIMA-HAM
and sub

CONSOLIDATED
December 31,

ASSETS

	1954	1953*
CURRENT ASSETS:		
Cash	\$ 8,733,016	\$ 9,543,215
U. S. Treasury bills at cost	2,992,675	—
Notes and accounts receivable (less reserve, \$236,000 in 1954 and 1953)	20,675,813	28,089,320
Inventories at lower of cost or market (less reserve, \$1,160,000 in 1954 and \$1,351,000 in 1953)	52,706,234	73,913,843
Prepaid expenses	242,052	287,650
<i>Total Current Assets</i>	<u>\$ 85,349,790</u>	<u>\$111,834,028</u>
 NOTES AND ACCOUNTS RECEIVABLE— not due within one year	 6,966,181	 3,798,858
 INVESTMENTS—at cost (less reserve, \$12,499 in 1954 and 1953)	 461,539	 498,157
 PROPERTY, PLANT AND EQUIPMENT— at cost (less reserve for deprecia- tion and amortization, \$51,232,277 in 1954 and \$51,003,660 in 1953) ..	 38,567,079	 40,614,424
	<u><u>\$131,344,589</u></u>	<u><u>\$156,745,467</u></u>

* Amounts reclassified
See Notes to Financial Statements

LTON CORPORATION
sidiaries

BALANCE SHEET
1954 and 1953

LIABILITIES		
	1954	1953*
CURRENT LIABILITIES:		
Bank loans payable.....	\$ 1,000,000	\$ 2,500,000
Accounts payable.....	7,525,497	14,903,764
Dividend payable.....	858,717	956,556
Advances on sales orders.....	548,359	2,308,438
Taxes on income.....	4,949,680	15,587,706
Other taxes, wages, commissions, product guarantees, etc.....	5,550,175	4,489,481
<i>Total Current Liabilities..</i>	<i>\$ 20,432,428</i>	<i>\$ 40,745,945</i>
BANK LOANS PAYABLE — not due within one year.....		
	1,000,000	2,000,000
RESERVES FOR WORKMEN'S COMPEN- SATION AND OTHER EXPENSES.....		
	612,000	790,000
SHAREHOLDERS' EQUITY:		
Common stock, \$13 par:		
Authorized, 5,000,000 shares		
Issued, 4,782,778 shares.....	62,176,114	62,176,114
Surplus:		
Capital in excess of par value..	26,827,335	26,827,335
Accumulated earnings reinvested in the business.....	24,699,449	24,206,073
	\$113,702,898	\$113,209,522
Less treasury common stock, 489,193 shares at cost.....	4,402,737	—
<i>Total Shareholders' Equity</i>	<i>\$109,300,161</i>	<i>\$113,209,522</i>
	<u>\$131,344,589</u>	<u>\$156,745,467</u>

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BALDWIN-LIMA-HAMILTON CORPORATION
and subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the Years Ended December 31, 1954 and 1953

	1954	1953*
INCOME:		
Net sales	\$155,195,012	\$276,258,050
Royalties and licenses	316,346	327,170
Interest earned	409,153	499,586
Miscellaneous	172,753	99,286
<i>Total</i>	<u>\$156,093,264</u>	<u>\$277,184,092</u>
COSTS AND EXPENSES:		
Cost of products sold including selling and administrative ex- penses	\$145,878,024	\$252,707,181
Depreciation and amortization ..	3,267,763	2,932,341
Contributions for employees' re- tirement	1,072,489	2,219,442
Net loss (profit) on sale of prop- erty	1,047,060	(437,641)
Taxes on income (1954 net of \$1,175,941 unrequired provi- sion of prior years)	489,059	11,750,000
Interest expense	190,844	636,828
Miscellaneous	82,005	14,728
<i>Total</i>	<u>\$152,027,244</u>	<u>\$269,822,879</u>
NET INCOME ..	<u><u>\$ 4,066,020</u></u>	<u><u>\$ 7,361,213</u></u>
Net income per share on shares out- standing at end of period:		
4,293,585 shares	\$.95	
4,782,778 shares		\$1.54

* Amounts reclassified for comparison
See Notes to Financial Statements

BALDWIN-LIMA-HAMILTON CORPORATION
and subsidiaries

CONSOLIDATED STATEMENT OF SURPLUS

For the Years Ended December 31, 1954 and 1953

CAPITAL IN EXCESS OF PAR VALUE

	1954	1953
Balance, January 1 and December 31	<u>\$26,827,335</u>	<u>\$26,827,335</u>

ACCUMULATED EARNINGS REINVESTED IN THE BUSINESS

	1954	1953
Balance, January 1	\$24,206,073	\$20,671,083
Net income	4,066,020	7,361,213
	<u>\$28,272,093</u>	<u>\$28,032,296</u>
Cash dividends declared on common stock	3,532,707	3,826,223
Adjustment on acquisition of O. S. Peters Company	39,937	—
	<u>3,572,644</u>	<u>3,826,223</u>
Balance, December 31	<u>\$24,699,449</u>	<u>\$24,206,073</u>

See Notes to Financial Statements

BALDWIN-LIMA-HAMILTON CORPORATION
and subsidiaries

NOTES TO FINANCIAL STATEMENTS

(1) Under the terms of the Executive Stock Option Plan adopted by the shareholders on May 6, 1954, the company may sell under option to key executives of the companies not in excess of 200,000 shares of common stock. Such plan provides for granting options to purchase stock at not less than 95% of the average market price on the day the options are granted. Options granted are exercisable only after continued service as an employee for a period of at least two years following the granting of the option. During the year options have been granted at the average market price on the day the options were granted for 41,000 shares of common stock at prices ranging from \$9.81 to \$10.19 per share, a total of \$413,469.

(2) The O. S. Peters Company, Washington, D. C., which was acquired in 1954, is included in the consolidated financial statements.

The acquisitions of Hydropress, Inc., and its wholly owned subsidiary Loewy Construction Company, Inc., New York, N. Y.; Madsen Iron Works, Inc., La Mirada, California; and Ruge-deForest, Inc., Cambridge, Massachusetts, were effected subsequent to December 31, 1954. Accordingly, these companies are not included in the consolidated financial statements.

REPORT OF AUDITORS

To The Shareholders of
BALDWIN-LIMA-HAMILTON CORPORATION:

We have examined the consolidated balance sheet of Baldwin-Lima-Hamilton Corporation and subsidiaries as of December 31, 1954, and the related consolidated statements of income and surplus for the year then ended. It was not practicable to obtain confirmation of amounts due from the United States Government and we satisfied ourselves as to such amounts by other auditing procedures. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the consolidated statements of income and surplus present fairly the consolidated financial position of Baldwin-Lima-Hamilton Corporation and subsidiaries at December 31, 1954, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

PHILADELPHIA, PENNA.

FEBRUARY 24, 1955

BALDWIN-LIMA-HAMILTON CORPORATION

and subsidiaries

SALES OFFICES IN THE UNITED STATES

ATLANTA 2, GA.	1503 Northside Drive, N.W.
CHICAGO 4, ILL.	627 Railway Exchange Building
CLEVELAND 13, OHIO	520 Terminal Tower Building
DALLAS 2, TEXAS	1805 N. Industrial Boulevard
DETROIT 2, MICHIGAN	425 Curtis Building
HOUSTON 25, TEXAS	713 Prudential Building
LOS ANGELES 17, CALIF.	600 St. Paul Avenue
MINNEAPOLIS 2, MINNESOTA	1120 Foshay Tower
NEW YORK 1, N. Y.	350 Fifth Avenue
NEW YORK 17, N. Y.	60 E. 42nd Street
PHILADELPHIA 42, PA.	General Office Building, Eddystone, Pa.
PITTSBURGH 19, PA.	567 Union Trust Building
SAN FRANCISCO 10, CALIF.	2929 Nineteenth Street
SAN FRANCISCO 5, CALIF.	33 Clementina Street
ST. LOUIS 3, MO.	514 Shell Building
SEATTLE 4, WASHINGTON	1932 First Avenue, South
WASHINGTON 5, D. C.	1336 Wyatt Building

CONSTRUCTION EQUIPMENT DIVISION

SALES OFFICES

ATLANTA 2, GA.	1503 Northside Drive, N.W.
DALLAS 2, TEXAS	1805 N. Industrial Boulevard
LA MIRADA, CALIF.	14120 E. Rosecrans Avenue
MINNEAPOLIS 2, MINN.	1120 Foshay Tower
NEW YORK 17, N. Y.	60 E. 42nd Street
SAN FRANCISCO 5, CALIF.	33 Clementina Street
SEATTLE 4, WASHINGTON	1932 First Avenue, South
WASHINGTON 5, D. C.	1336 Wyatt Building

The Company has sales agents or technical representatives
in most countries of the world.

DIVISIONS AND SUBSIDIARIES

EDDYSTONE DIVISION

J. F. CONNAUGHTON, Vice-President in Charge of
Eddystone Division

R. NEVIN WATT, Vice-President

JOHN S. NEWTON, Vice-President and Manager of
Testing Equipment Division

J. J. ROSECKY, Manager of Manufacturing

ANDREW LISTON, General Sales Manager

CHARLES A. CAMPBELL, Assistant Director of Foreign Sales

GEORGE E. MATHEWS, Controller

WILLIAM S. Y. HOWARD, Asst. Secretary and Asst. Treasurer

THOMAS E. MCFALLS, Asst. Secretary and Asst. Treasurer

LOCOMOTIVES

STEAM

ELECTRIC

DIESEL

STEAM BOILERS **COMMERCIAL WELDMENTS** **PLATE FABRICATION**

ORDNANCE MATERIEL

DIESEL ENGINES FOR MARINE AND OTHER USES

WATER POWER TURBINES

HYDRAULIC PRESS MACHINERY

TESTING EQUIPMENT

SR-4 STRAIN GAGES AND DEVICES

SPECIAL MACHINERY

RAILWAY DUMP CARS

IRON, BRASS AND BRONZE CASTINGS

PARSON'S WHITE BRASS AND BABBITT METAL INGOTS

PLANT AT BALDWIN

EDDYSTONE, PENNSYLVANIA

STANDARD STEEL WORKS DIVISION

JOHN D. TYSON

Vice-President in Charge of Standard Steel Works Division

EDWIN W. THOMAS, Works Manager

FRED E. GREGER, Sales Manager

CHARLES EDWARDS, Asst. Secretary and Asst. Treasurer

STEEL FORGINGS

STEEL CASTINGS

STEEL TIRES

WROUGHT STEEL WHEELS

STEEL SPRINGS

WELDLESS RINGS

PLANT

BURNHAM, MIFFLIN COUNTY

PENNSYLVANIA

CONSTRUCTION EQUIPMENT DIVISION

comprising

AUSTIN-WESTERN COMPANY, LIMA WORKS AND MADSEN IRON WORKS, INC.

H. F. BARNHART, General Manager
HENRY P. LOCKHART, Director of Sales

AUSTIN-WESTERN COMPANY *Incorporated under the Laws of the State of Illinois*

RALPH K. STILES, President
J. W. CHAPMAN, Treasurer and Assistant Secretary
CHARLES E. ACKER, Secretary
C. M. LIPPINCOTT, Controller

ROAD GRADERS HYDRAULIC CRANES
ROAD ROLLERS STREET SWEEPERS

PLANTS
AURORA AND ROCHELLE, ILLINOIS

LIMA WORKS

H. F. BARNHART, Vice-President
ORIN J. GREIWE, Asst. Secretary and Asst. Treasurer
R. P. BAUER, Controller
POWER SHOVELS CRANES DRAG LINES PULL SHOVELS
ROCK CRUSHING EQUIPMENT

PLANT
LIMA, OHIO

MADSEN IRON WORKS, INC. *Incorporated under the Laws of the State of California*

H. F. BARNHART, President
WALTER MADSEN, Vice-President in Charge of
Research and Development
WILLIAM F. BOYLE, Secretary and Treasurer
STATIONARY AND PORTABLE ASPHALT MIXING AND
SPREADING PLANTS
ROCK AND SAND DRYERS
BITUMINOUS TRAVEL-MIX PLANTS
HIGHWAY CONCRETE FLOAT-FINISHERS
DUST COLLECTORS FOR FACTORIES AND COMMUNITIES
ROYAL CROWN PUMP VALVES

PLANT
LA MIRADA, CALIFORNIA

HAMILTON DIVISION

WALTER A. RENTSCHLER, Vice-President in Charge
ROBERT G. TABORS, Assistant General Manager
A. A. BYERLEIN, Vice-President
C. T. ZIEGLER, Vice-President
GEORGE H. LYNN, Sales Manager
STANLEY F. SCHRICHTE, Controller
J. W. LLEWELLYN, Asst. Secretary and Asst. Treasurer

FORMING AND STAMPING PRESSES
INDUSTRIAL AND RAILROAD MACHINE TOOLS
HAMILTON DIESEL ENGINES CORLISS ENGINES
STEAM MARINE ENGINES GAS ENGINES

CANE MILLING MACHINERY
HAMILTON CAN-MAKING MACHINERY
GLASS GRINDING AND POLISHING MACHINERY
HEAVY FORGINGS AND CASTINGS WELDMENTS

PLANTS
HAMILTON AND MIDDLETOWN, OHIO

HYDROPRESS, INC.

Incorporated under the Laws of the State of Delaware

WYLIE BROWN, Chairman of the Board
ERWIN LOEWY, President
HUGO LORANT, Senior Vice-President
ALEXANDER ZEITLIN, Vice-President—Sales
HERMAN BOTTENHORN, Vice-President in Charge of Rolling Mills
ALFRED LOEWY, Vice-President
PAUL ULLMAN, Treasurer
BASIL N. BASS, Secretary

LOEWY CONSTRUCTION CO., INC.

*Incorporated under the Laws of the State of Delaware
(Wholly owned subsidiary of Hydropress, Inc.)*

WYLIE BROWN, Chairman of the Board
ERWIN LOEWY, President
ALEXANDER ZEITLIN, Vice-President
ALFRED LOEWY, Vice-President and Treasurer
ALLAN D. EMIL, Secretary
HOT AND COLD ROLLING MILLS FOR STEEL AND
NON-FERROUS METALS
COMPLETE ROLLING MILL INSTALLATIONS
HEAVY HYDRAULIC MACHINERY AND AUXILIARY EQUIPMENT
PIPE TESTING MACHINES - SPECIAL PIPE MILL EQUIPMENT
PUMPS ACCUMULATORS DIE CASTING MACHINES
INDUSTRIAL ENGINEERING GENERAL CONTRACTORS

OFFICES

350 FIFTH AVENUE, NEW YORK 1, N. Y.

THE PELTON WATER WHEEL COMPANY

Incorporated under the Laws of the State of California

OFFICERS

MARVIN W. SMITH, President

WILLIAM F. BOYLE

Vice-President and General Manager

CHARLES E. ACKER, Secretary and Treasurer

C. GLENN CRAWFORD, Manager, Sales-Service

ROBERT L. WOLTZ

Assistant Secretary and Assistant Treasurer

HYDRAULIC TURBINES OF THE IMPULSE, FRANCIS, AND
PROPELLER TYPES

GOVERNORS AND CONTROLLERS FOR HYDRAULIC TURBINES

LARGE CENTRIFUGAL PUMPS

METAL-SEATED AND RUBBER-SEATED BUTTERFLY VALVES

AND SPECIAL GATE VALVES

SINGLE- AND DOUBLE-SEATED SPHERICAL VALVES

AND CONE VALVES

HOLLOW-STREAM, HOLLOW-CONE, AND HOLLOW-JET VALVES

SURGE SUPPRESSORS AND AIR VALVES FOR

WATERLINE PROTECTION

SIMPLEX AND DUPLEX WATER STRAINERS

HYDRAULIC OIL WELL PUMPING JACKS

JOBGING MACHINE WORK, WELDMENTS, PATTERNS, AND

STRESS RELIEVING

PLANTS

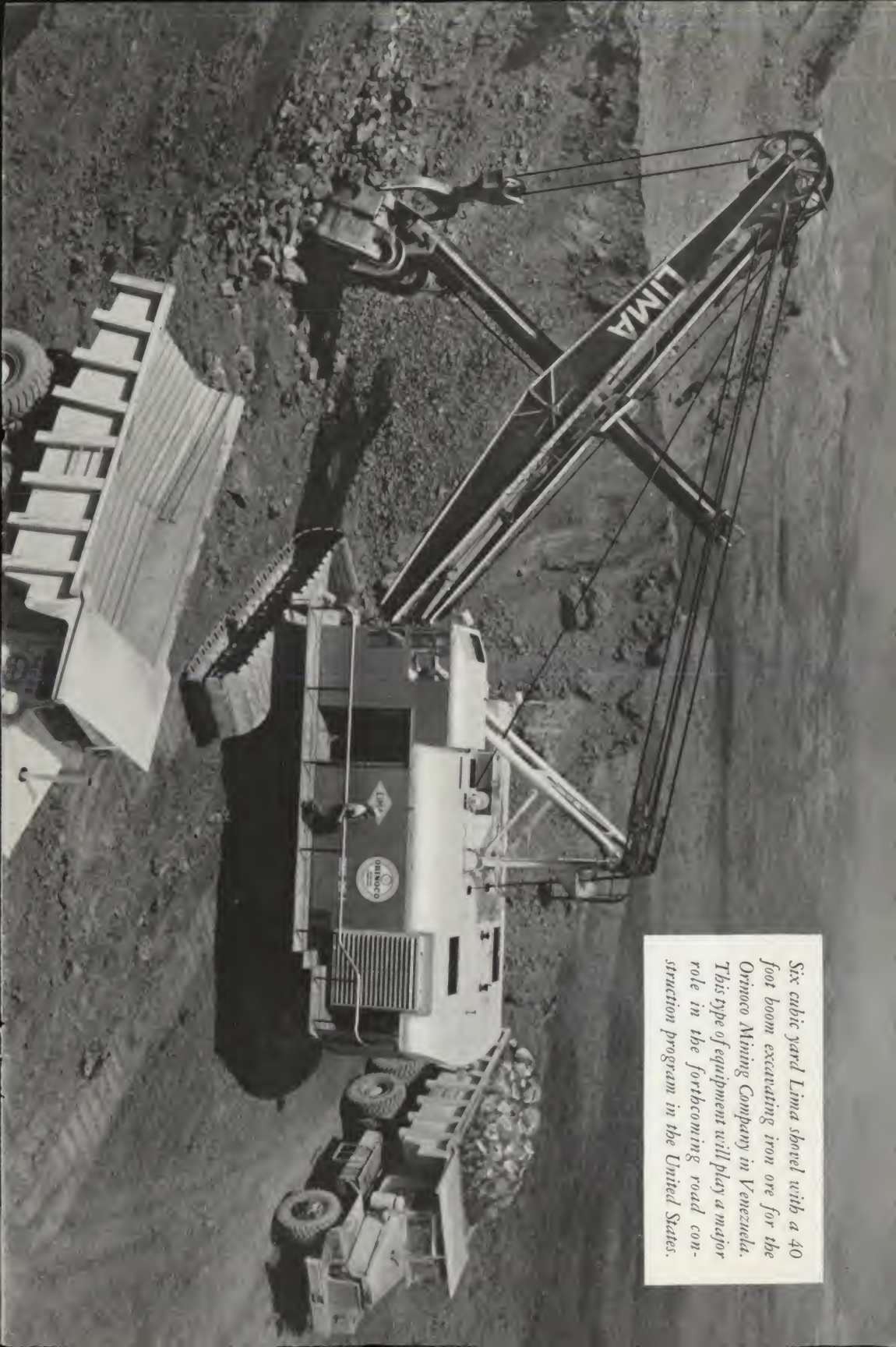
SAN FRANCISCO AND LOS ANGELES, CALIFORNIA

Printed in U. S. A.

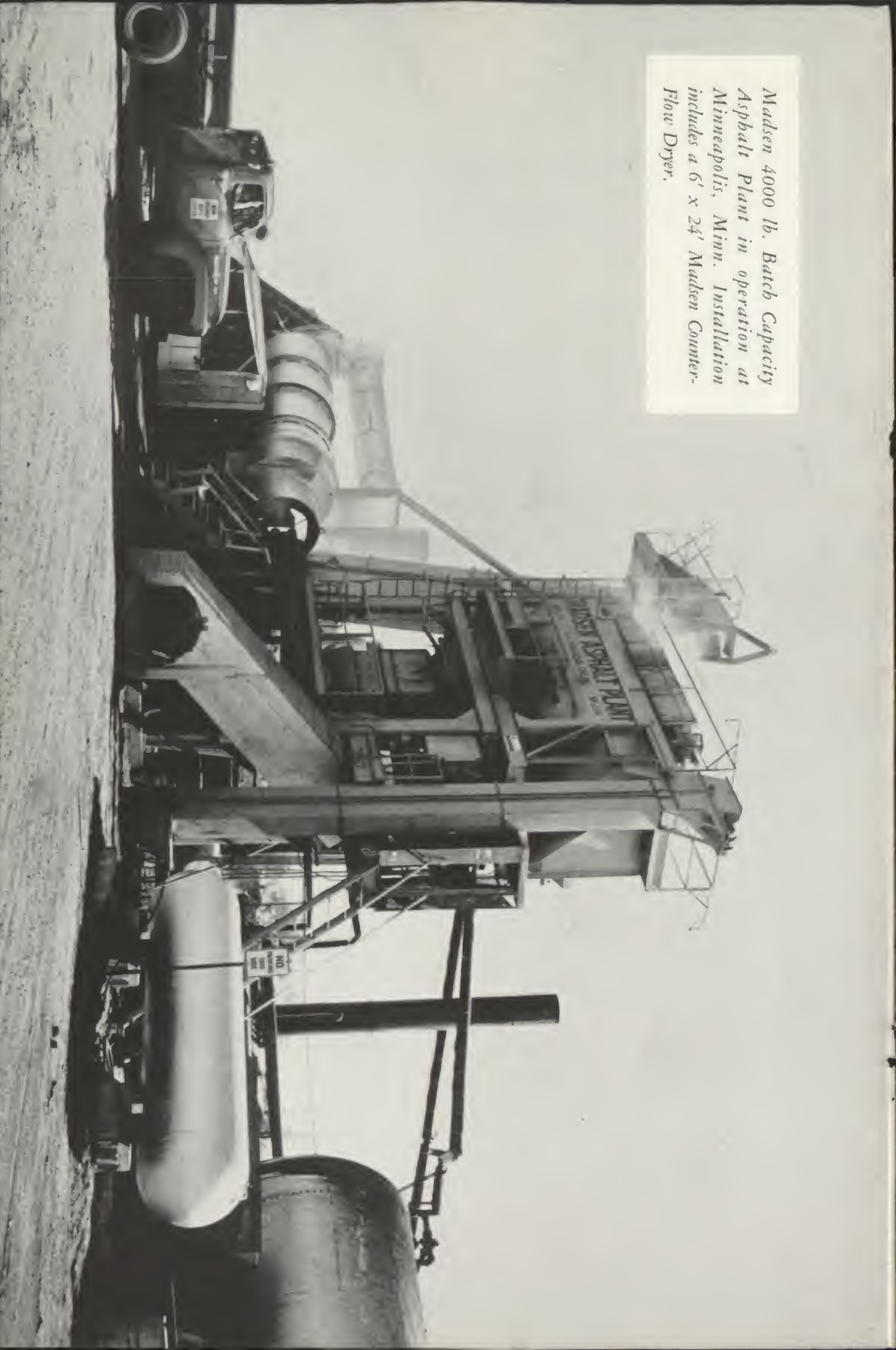



The 4500 hp. coal burning steam turbine electric locomotive built for Norfolk & Western Railway, demonstrates its tremendous hauling power with long train of coal in Virginia mountains.

Six cubic yard Lima shovel with a 40 foot boom excavating iron ore for the Orinoco Mining Company in Venezuela. This type of equipment will play a major role in the forthcoming road construction program in the United States.



*Madsen 4000 lb. Batch Capacity
Asphalt Plant in operation at
Minneapolis, Minn. Installation
includes a 6' x 24' Madsen Counter-
Flow Dryer.*





One of 145 steel ring liners, each more than 32' in diameter, for the New Jersey end of a new tube being added to the Lincoln Tunnel in New York.

Largest order for air dump cars in recent years—100 units—was sold to the Southern Pacific Railroad. Unit shown is engaged in building up shoulders along railroad right of way.



*A huge Loewy extrusion press fully
assembled in the shop where it was
built. Capacity of the press is 8000 tons.*

